



Bristol City Council Equality Impact Assessment Form

(Please refer to the Equality Impact Assessment guidance when completing this form)

Name of proposal	Avon Mutual Regional Community Bank
Directorate and Service Area	Resources / Finance
Name of Lead Officer	Denise Murray

Step 1: What is the proposal?

Please explain your proposal in Plain English, avoiding acronyms and jargon. This section should explain how the proposal will impact service users, staff and/or the wider community.

1.1 What is the proposal?

For the Council to make a further at risk investment in phase 2 development shares that will support the establishment of Avon Mutual; which is a Regional Community Bank that if established will aim to serve the West of England region broadly comprising Bristol, Gloucestershire, Wiltshire and Bath & North-East Somerset. If a licence is obtained the Avon Mutual aims to commence trading in late 2021 or early 2022 and will be one of the first customer owned financial institution (full service bank) that has a strong social mission, promoting sustainable and equitable prosperity for the region.

From the Councils' investment, it is seeking to ensuring that the way the Avon Mutual operates, its culture, governance, and approach to businesses and individuals is values-based, with a retail bank offer that benefits those currently underserved and puts the financial wellbeing of our communities at the heart of what they do.

The Bank aims to serve people of ordinary means, community groups, self-employed, SMEs and social enterprises. It will offer a range of essential banking services, from current accounts and savings, to mortgages, loans and overdrafts for personal and SME customers, accessed through online, mobile and branch distribution channels. The Bank's strategy is to gain competitive advantage through cooperative ownership that provides a superior knowledge of local markets and its governance and policies. It will serve businesses who wish to innovate and grow but find the traditional routes to finance challenging. It will support the reshaping of future markets in line with stakeholder and local economic priorities and as such it has the potential to help the post covid-19 recovery and transformation of Bristol's economy.

Step 2: What information do we have?



Decisions must be evidence-based, and involve people with protected characteristics that could be affected. Please use this section to demonstrate understanding of who could be affected by the proposal.

2.1 What data or evidence is there which tells us who is, or could be affected?

Current Evidence Base

Bank and Building Society Branches

In the UK banks and building societies closed (or scheduled the closure of) 3,770 branches since January 2015, at a rate of around 55 each month. The % of local branch closures in the Bristol area and branches left from January 2015 to the end of 2021 (projected) are outlined in the table below.

♂ Bristol		
Constituency	Branches Left	% network lost since Jan
Bristol East	3	63%
Bristol North West	5	50%
Bristol South	6	50%
Bristol West	21	40%

Source: https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5#headline_1 - Which?

Free Cash Machines

The Which? Analysis indicated that between January 2018 and December 2019 an estimated 9,500 free ATMs (54,500 to 45,000) have been removed or have introduced charges of up to £2 per withdrawal. In that time 1,203 bank branches closed.

Overall, the most deprived areas across the UK saw a reduction of 979 free-to-use machines – 6% of their ATM network. But the least deprived areas lost just 223 free cashpoints – 4% of their network of machines.

The analysis showed Birmingham Ladywood saw the biggest losses, with a reduction of 47 free machines. This was followed by **Bristol West the second worst area in the country** for the decline with the loss of 40 free machines and then, Manchester Central (-36). All of the constituencies outlined above have a high proportion of deprived neighbourhoods.

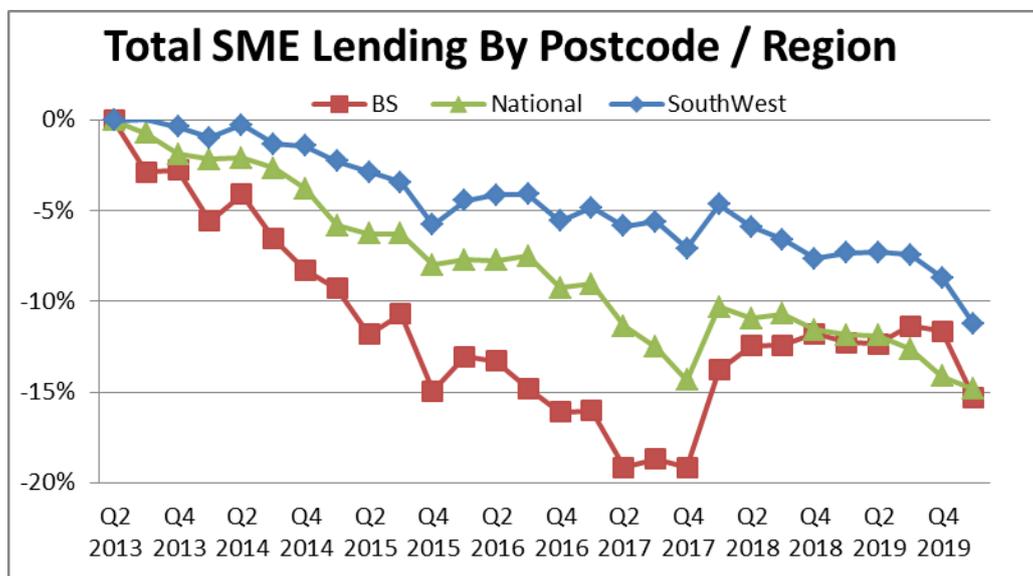
In Bristol 15% of residents - 70,700 people - live in the 10% most deprived areas in England. Previous Which? research found that over three-quarters (78 per cent) of people in the two lowest household income groups rely on cash the most – using it at least two or three times a week. The poorer communities have been particularly affected by the banking changes,

with vulnerable customers including the elderly, disabled, and those of low financial means most reliant on the ability to access and pay with cash and who can least afford to pay for withdrawals are facing charges or being forced to travel to access money for free.

Micro, Small and Medium Size enterprises

According to the ONS there are 22,500 business units registered (VAT / PAYE registered) in Bristol, in 2019. This is up from 20,600 in 2015. Many small businesses are reliant on branch facilities for loans and banking takings and are increasingly neglected by high street banks. In BDRC’s SME Finance Monitor report for Q2 2019, the most common source of external funding for SMEs is bank overdrafts at 22% – 3% increase since the previous report. Q4 2018, Credit cards are the second-most common source of SME funding at 17% (another 3% increase). Meanwhile, only 8% of SME’S say they were able to secure loans from major banks (a 1% increase).

SME loans have decreased nationally since 2013. The peak of this decrease was in 2017 with a national average fall of 14%, and more significantly in Q1 2020 by 15% when the effect of Covid was emerging. However the impact on the southwest in comparison has not been as severe with an average fall of 7% at the peak and 11% 2020. The decrease in lending in the BS Postcode area in contrast has almost tripled that in the southwest; at the 2017 peak a fall of 19% was experienced and following a degree of recovery has now fallen again in line with the national average of 15%.



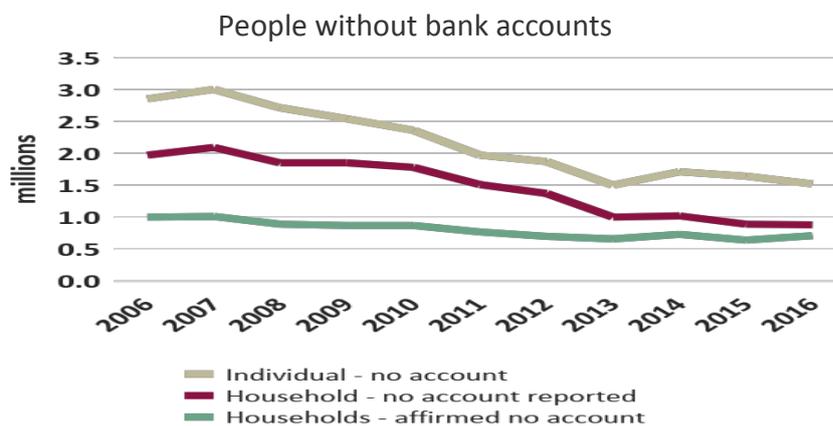
Source: UK Finance Post Code Lending Data. Total of 7 largest banks: Barclays, CYBG, Lloyds, HSBC, Nationwide, RBS/Natwest and Santander

Households and Individuals

Sources: HMT report on cash 2018, CHASM Financial Inclusion Report 2016 & 2017, FCA

Financial Lives Survey 2017, Pro-rata on adult population of Bristol City Council area - 365,000 from UK population estimates mid-2017.

INDICATOR	BRISTOL est.
Individuals without bank account	12,000
Households without bank account	7,000
'non-users' of the internet	60,000
Entirely dependent on cash	19,000
Consumers with 1 or more indicators of potential vulnerability	183,000
Can't pay bills/meet credit commitments in 3 out of last 6 months	29,000
Not able to find £200 at short notice	40,000
3 day emergency food packages from Food Banks	8,000
Adults with little or no confidence in money management	88,000
Used unauthorised overdraft facility in last 12 months	22,000
Borrowing from friends and family in last 12 months	25,000



Source: CHASM, Financial Inclusion Monitoring Report 2017

Over 79,000 Bristolians suffer income deprivation and in some areas of Bristol this is likely to be a major concern, with for example some wards have 49% of people living in them suffering from income deprivation and the poverty premium.

According to Bristol University those on low incomes suffer an average £490 p.a. additional cost due to their low income preventing access to better deals. The impact of this 'poverty premium' can be severe - for 10% of these households the cost rises to £780 p.a. and for others this premium rises to as much as £2250 p.a. Bristol University's Personal Finance Research Centre's report *Making the Poverty Premium History* has recently called for new forms of banking relevant to the socially excluded.

The table below shows that some equalities groups in Bristol, including disabled people and young people, are more likely to find it difficult to manage financially.



Characteristic	% who find it difficult to manage financially
16 to 24 years	15.4%
50 years and older	7.7%
65 years and older	3.4%
Female	10.0%
Male	7.8%
Black, Asian and minority ethnicity	15.0%
White minority ethnicity	8.6%
Disabled	23.1%
Carer	14.2%
Single Parent	22.7%
Religion or faith	7.9%
No religion or faith	7.6%
Lesbian, Gay or Bisexual	10.4%
Bristol Average	9.0%

source: Quality of Life in Bristol survey 2019-20

Other Sources: PFRC, CSFI and JRF, 2016

- 2.5m people are using high-cost credit, and 2.1m living in perpetual overdraft debt
- 400,000+ households are using high cost “rent-to-own” for essential household goods

The FCA recently estimated that over four million people use some form of unsecured high-cost credit, at a value of £8.3bn. In contrast, the Community Development Finance Institution (CDFI) market lent a total of £20 million in personal loans, and the reach of credit unions appears to be similarly constrained.

Impact

Branch closures worsen financial exclusion for communities and the vulnerable, and can hasten local economic demise. Small, micro, community and social businesses are excluded from lending, reducing growth and opportunity, Cash services are increasingly restricted and some business accounts provide poor value. Lending is too expensive as Banks financially penalise many on low incomes, and are bad at providing for people with complex needs. The Avon Mutual Regional Community Bank could provide a positive contribution by making banking services more readily available in the region and ensuring that millions of people are not left behind as digital payments grow in popularity and to help those in deprived or isolated areas adequately safeguard free cash access in the long-term and via its lending policy making it harder for small firms to compete.

2.2 Who is missing? Are there any gaps in the data?

2.3 How have we involved, or will we involve, communities and groups that could be affected?

In having submitted the core Regulatory Business Plan the Avon Mutual are now focusing on



progressing the bank's impact framework to ensure they generate positive impact in a number of areas, all of which sit under the three key strategic areas:

- **Economic Impact:** Improving the economic conditions of our region so that businesses are better served and more able to provide jobs, growth, and opportunity
- **Social Impact:** Generating positive impacts for individuals, particularly those that are vulnerable and/or suffering from financial exclusion and detriment
- **Environmental Impact:** Contributing to the sustainability and viability of human civilisation, by accelerating the journey to a carbon-negative economy

This will require them to undertake more granular market research and community engagement on product and service development, technology, capital and liquidity plans.

In further developing the proposition for the region it will be necessary to understand the unique points for each locality and the Council intends to commission a phase 2 due diligence to assess the local impact and information gathered. This will assist in understanding the strengths, challenges and needs of the local communities and additional depth on the impact on customers with protected characteristics and how the operational planning and systems implementation could address these.

Step 3: Who might the proposal impact?

Analysis of impacts on people with protected characteristics must be rigorous. Please demonstrate your analysis of any impacts in this section, referring to all of the equalities groups as defined in the Equality Act 2010.

3.1 Does the proposal have any potentially adverse impacts on people with protected characteristics?

The UK market for current accounts is unusual in its charging structure, with apparently free current accounts (Free-if-in-credit – FIIC) – most other countries charge for banking. FIIC account providers over-sell other complex and untransparent products to pay for the cost of such accounts.

FIIC banking models which are marketed as 'free' have a range of hidden costs and penalties that can impact on the most vulnerable. Many customers are excluded from banking and financial services if they do not meet the required minimum income thresholds or fail the credit checks for a FIIC account. Overdraft fees can be excessive and an additional premium is often applied to those on low incomes or with poor credit.

It is proposed that a simple and transparent upfront membership fee of £5/month for current accounts, £10/month for business accounts will be applied to all customers. This is primarily due to the fact that a full range of services will be provided by the Avon Mutual and they will need to compete with other high street banks. Given the challenges that we seek to address there will need to be an additional offer from Avon Mutual and as such this will come at a cost. For example staffed high street branches, free ATM machines, multi-

channel access, video link to talk to customers which can be co-located with community facilities, softer services such as budgeting tools including analysis of expenditure and visualisations and functionality to improve control over personal finances.

It is recognised that there is a risk that these upfront costs could disincentive take up from vulnerable customers and whilst the Council recognises that the membership fee is outweighed by the benefits, particularly the potential to significantly reduced ‘poverty premium’ for low income families we are asking for further consideration to be given to a differential pricing model for current account fees of the most vulnerable to both effectively support and incentivise take up.

3.2 Can these impacts be mitigated or justified? If so, how?

In addition to the indirect benefits derived from the additional accessibility and services that will be provided (3.1 above), the Avon Mutual will offer:

- A current account without requiring a minimum income or a credit check, which means that customers currently excluded and seen as a greater risk can bank, improve financial management and receive the wider benefits from direct debit discounts.
- Access to cash via ATM’s will be free - bank branches are closing and independently operated machines usually charge around £1.50 to £2 per transaction.
- Interest will be paid on whole combined balance across accounts including current account.
- The main credit product is an overdraft, which can only be provided directly by banks (and not by credit unions or post office accounts), will have modest overdraft fee that is applied consistently.
- Access to residential mortgages as well as business and personal loans.

As shown in the comparison with Lloyds and Natwest FIC accounts, once the balance exceeds £1,000 the Avon Community Bank accounts begin to deliver a direct value and is much better value for any customers who need an overdraft.

Bank	AM- RCB	Lloyds Classic	Natwest Select
Monthly membership fee	(5.00)	-	-
Interest on £1,000 in current account	1.22	-	-
Cost of £500 overdraft for 15 days	(1.94)	(10.65)	(9.74)

Avon Mutual are committed in achieving financial inclusion, the same service for all regardless of income, wealth or background and in doing so a simple and transparent fee will need to be applied. The £5/month costs is outweighed by these benefits and the significantly reduced ‘poverty premium’ for low income families..



As outlined in 3.1 the Council would expect to see further mitigations being explored to protect the most vulnerable primarily differential pricing for the most vulnerable customers. Other areas could also be explored such as working with large socially responsible service providers who may also be end beneficiaries to agree to share or meet these costs. For example via direct debits it would be possible to seek agreement to transfer an element of the cost to the receiver, on the principle that they will also benefit from the direct debit with improved cash flow in a move away from Pay on Bill and reduced arrears, therefore creating a win / win scenario. The deliverability of such a scheme would need to be tested including with local authorities who fall into the category of large service provider and could be applied in direct debit areas such as council tax and offset by discretionary hardship funds.

3.3 Does the proposal create any benefits for people with protected characteristics?

The promoters have set out missions for the Bank to guide its activities and ensure alignment between the activities of the Bank and regional stakeholders. It is anticipated that there are three main ways in which the activities (direct / indirect) of the community Bank, can deliver positive impacts in respect of the protected characteristics and in the reduction of socio-economic inequality:

- Its culture, governance and engagement with its employees (direct).
- Its interactions with its customers (direct).
- Supporting its customers to deliver positive impacts in respect of the protected characteristics and to address socio-economic inequality within their own ventures and through the activities that the Bank's financing will enable (indirect).

The additional evidence and phase 2 due diligence will identify the local need, support policy development and operational implementation in delivering the above.

3.4 Can they be maximised? If so, how?

The promoters will continue to work with a range of businesses, including some that have previously faced issues when seeking to access finance and it is vital that Avon Mutual is able to identify and take opportunities to establish productive partnerships. Recognising the barriers to those partnerships will be key to unlocking the potential of a variety of businesses and sectors.

Avon Mutual should consider how its lending practices can address the particular needs of its potential customers. Their needs may vary depending on the types of persons leading the business, its sector of activity and the geographic location of its business or activity.

Step 4: So what?

The Equality Impact Assessment must be able to influence the proposal and decision. This section asks how your understanding of impacts on people with



protected characteristics has influenced your proposal, and how the findings of your Equality Impact Assessment can be measured going forward.

4.1 How has the equality impact assessment informed or changed the proposal?

The evidence and data gathered to date and data set for the UK and Bristol specifically has assisted in demonstrating the need for a community bank in the region.

The development of the EQIA will be an iterative process has the proposition for the establishment of the community bank matures, further due diligence and evidence is gathered, the application for the banking license is approved, Board and executive team in place, impact framework established and the bank becomes operational.

4.2 What actions have been identified going forward?

The phase 2 investment being proposed by the Council is to enable wider localised research to be undertaken to refine the impact framework, following which a further phase 2 local due diligence will due undertaken which will identify any gaps and make residual recommendations to ensure the Councils objectives will be achieved. This information should be utilised to finalise the impact framework, shape the investment and other policies and the business plan assumptions.

The findings from the wider localised research and due diligence will enable a more detailed EQIA to be completed and evidence of which will support the Bank’s development of its Investment policy and any further investment in the establishment of the community Bank in 2020.

Examples of the approaches that are being considered are captured within section 1.1, 3.3 and 3.4 above.

4.3 How will the impact of your proposal and actions be measured moving forward?

The additional research and wider evidence gathering will assist the Council in ascertaining the baseline for their locality and basis upon which the actual impact of these interventions and wider social value generated can be measured.

Service Director Sign-Off:
Denise Murray – Director of Finance

Equalities Officer Sign Off:
Reviewed by Equality and Inclusion Team

Date: 13/11/2020

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